

SERVICE DATE - SEPTEMBER 10, 2001

SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 347 (Sub-No. 2)

RATE GUIDELINES - NON-COAL PROCEEDINGS

Decided: September 6, 2001

In Rate Guidelines—Non-Coal Proceedings, 1 S.T.B. 1004 (1996) the Board established guidelines for handling rate complaints in cases where the constrained market pricing (CMP) guidelines cannot practicably be applied.¹ In that decision, the Board provided tables containing “Revenue Shortfall Allocation Method” (RSAM) and “Average Revenue-to-Variable Cost > 180” (R/VC > 180) percentages for each Class I railroad for the 4-year period 1991-1994. The RSAM measures the average markup above a carrier’s variable cost that the carrier would need to charge all its “potentially” captive traffic (traffic priced above 180% of variable cost) to earn adequate revenues as determined under 49 U.S.C. 10704(a)(2). The R/VC > 180 represents the average markup above variable cost that a carrier imposes on its high-rated traffic (traffic priced above 180% of variable cost). The Board updates the RSAM and R/VC > 180 tables annually. Because the Consolidated Rail Corporation (Conrail) no longer exists as a Class I railroad, it has been dropped from the historical analysis.

The attached tables contain RSAM and R/VC > 180 percentages for the period 1996-1999 for all Class I carriers except CSX Transportation, Inc. (CSX) and the Norfolk Southern Railroad (NS), and contains Western but not Eastern or National composite percentages. The rail systems for CSX and NS changed significantly in 1998 with the acquisition by those two railroads of Conrail and the division of Conrail’s assets between them. As a result, the pre-acquisition operating statistics of CSX and NS are not comparable to their post-acquisition statistics. Consequently, we could not compute a meaningful 4-year average for those two railroads or Eastern or National 4-year averages, and the tables reflect only the 1999 results for CSX and NS and for the Eastern and National composites. Until additional years of data become available, interested parties may wish to rely on other relevant information in addition to the single-year averages for CSX, NS and the composite averages shown here.

By the Board, Leland L. Gardner, Director, Office of Economics, Environmental Analysis,
and Administration.

Vernon A. Williams
Secretary

¹ CMP was adopted as the preferred procedure for evaluating the reasonableness of challenged rates in Coal Rate Guidelines—Nationwide, 1 I.C.C.2d 520 (1985).

Table I
RSAM Markup Percentages
(Range With & Without Efficiency Adjustment)

Railroad/ Region	4 - Year Average	1999	1998	1997	1996
BNSF	212-285	185-248	188-258	243-324	231-309
GTW	200-272	118-188	203-278	219-290	260-333
IC	179-210	228-283	159-184	183-211	144-161
KCS	250-297	280-345	220-264	223-248	275-331
SOO	317-436	399-565	324-445	292-412	251-322
NS		191-227			
CSXT		205-245			
UP	274-392	231-322	349-527	291-416	224-304
Eastern Region		201-240			
Western Region	247-342	217-298	270-388	271-374	230-309
National		213-277			

Table II
Average Existing Revenue-to-Variable Cost Percentages
For Traffic Above 180% R/VC

Railroad/ Region	4 - Year Average	1999	1998	1997	1996
BNSF	263	263	266	262	262
GTW	219	255	213	201	205
IC	278	264	272	263	311
KCS	234	248	243	204	242
SOO	258	246	250	256	280
NS		206			
CSXT		210			
UP	235	234	225	234	245
Eastern Region		213			
Western Region	248	247	244	248	253
National		237			